

97-84027-20

Stock Clearing
Corporation, New York
By-laws and rules of the
Stock Clearing
[New York]
[1920]

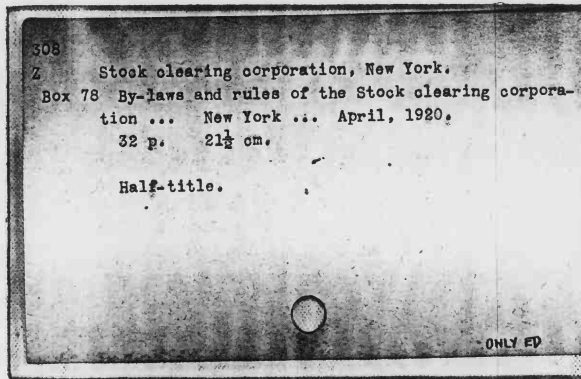
99-84027-20

MASTER NEGATIVE #

COLUMBIA UNIVERSITY LIBRARIES
PRESERVATION DIVISION

BIBLIOGRAPHIC MICROFORM TARGET

ORIGINAL MATERIAL AS FILMED - EXISTING BIBLIOGRAPHIC RECORD



RESTRICTIONS ON USE: Reproductions may not be made without permission from Columbia University Libraries.

TECHNICAL MICROFORM DATA

FILM SIZE: 35mm

REDUCTION RATIO: 11:1

IMAGE PLACEMENT: IA (11A) IB IIB

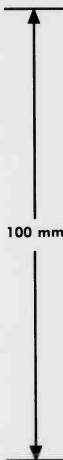
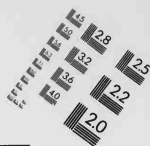
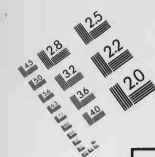
DATE FILMED: 2-26-97

INITIALS: mb

TRACKING #: MSH 21802

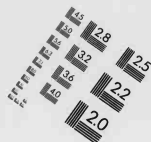
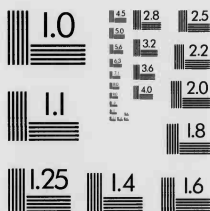
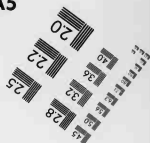
FILMED BY PRESERVATION RESOURCES, BETHLEHEM, PA.

PM-MGP METRIC GENERAL PURPOSE TARGET PHOTOGRAPHIC



A4

A5



ABCEFGHIJKLMNOPQRSTUVWXYZ
abcdefghijklmnopqrstuvwxyz1234567890

ABCEFGHIJKLMNOPQRSTUVWXYZ
abcdefghijklmnopqrstuvwxyz1234567890

ABCEFGHIJKLMNOPQRSTUVWXYZ
abcdefghijklmnopqrstuvwxyz1234567890

1.0 mm

1.5 mm

2.0 mm

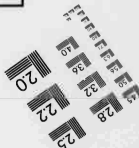
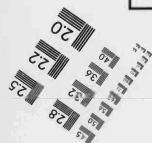
2.5 mm

ABCEFGHIJKLMNOPQRSTUVWXYZ
abcdefghijklmnopqrstuvwxyz1234567890

PRECISIONSM RESOLUTION TARGETS



A&P International
2715 Upper Alton Road, St. Paul, MN 55119-4760
612/738-9329 FAX 612/738-1496



Gift of the President

308

2

Bx 78

BY-LAWS AND RULES
OF THE
STOCK CLEARING CORPORATION
8 BROAD STREET
NEW YORK

BY-LAWS AND RULES
OF THE
STOCK CLEARING CORPORATION
8 BROAD STREET
NEW YORK

DAY CLEARING BRANCH
8 BROAD STREET
NEW YORK

NIGHT CLEARING BRANCH
55 NEW STREET
NEW YORK

APRIL, 1920

20 April 1920 Dow

STOCK CLEARING CORPORATION

BY-LAWS

As Adopted and Amended March 31st, 1920

ARTICLE I.

Meeting of Stockholders.

Sec. 1. The annual meeting of the stockholders of the Stock Clearing Corporation shall be held at its office, 8 Broad Street, New York City, in the Borough of Manhattan, City of New York, on the first Wednesday of May of each year at 12 o'clock noon for the election of Directors and such other business as may properly come before said meeting. Notice of the time, place and object of said meeting shall be given by publication thereof at least once in each week for two successive weeks immediately preceding such meeting in the manner required by Section 25, of the Stock Corporation Law, and by serving personally or by mailing at least ten days previous to such meeting postage prepaid a copy of such notice addressed to each stockholder at his residence or place of business as the same shall appear on the books of the Stock Clearing Corporation.

Sec. 2. Special meetings of stockholders other than those regulated by statute may be called at any time by a majority of the Board of Directors. It shall also be the duty of the President to call such meetings whenever requested in writing so to do by stockholders owning a majority of the capital stock. Notice of every special meeting stating the time, place and object thereof shall be given by mailing postage prepaid at least ten days before such meeting a copy of such notice addressed to each stockholder at his post office address as the same appears on the books of the Stock Clearing Corporation. No business other than that stated in such notice shall be transacted at such meeting without the unanimous consent of all the stockholders present thereat in person or by proxy.

Sec. 3. At all meetings of the stockholders there shall be present either in person or by proxy stockholders owning a majority of the capital stock of the Stock Clearing Corporation in order to constitute a quorum excepting at a special election of the Board of Directors pursuant to Section 30 of the General Corporation Law.

Sec. 4. If for any reason the annual meeting of stockholders shall not be held as hereinbefore provided such annual meeting shall be called and conducted as prescribed in Sections 28, 29, 30 and 31 of the General Corporation Law.

ARTICLE II.

Directors.

Sec. 1. The Directors named in the certificate of incorporation shall be of three classes to hold office; three until the annual stockholders' meeting in 1920; three until the annual stockholders' meeting in 1921; three until the annual stockholders' meeting in 1922; their successors to be elected at the expiration of their several and respective terms of office shall hold office for three years each. Any vacancy caused by death, resignation or otherwise (except a vacancy caused by the removal of a Director by the stockholders) shall be filled for the unexpired term by a successor chosen by a majority of the remaining Directors at a special meeting called for that purpose or at any regular meeting of the Board of Directors. A Director may be removed at any time by the holders of a majority of the capital stock issued and outstanding by a written instrument signed by them, which instrument shall designate a successor to hold office for the unexpired term.

Sec. 2. Regular meetings of the Board of Directors shall be held on the first Wednesday of each month unless this day falls upon a holiday, in which case the meeting shall be held on the next business day. The first meeting of the Board of Directors may be held immediately after the meeting of the stockholders at which these By-Laws are adopted and no further notice shall be required thereof. Special meetings may be called at any time by the President or by any three Directors.

Sec. 3. The Board of Directors may adopt such rules and regulations for the conduct of their meetings as they may deem proper, not inconsistent with the laws of the State of New York and these By-Laws.

ARTICLE III.

Executive Committee.

Sec. 1. The Executive Committee shall consist of the President of the Stock Clearing Corporation and four other members of the Board of Directors appointed by the Board of Directors and shall in the intervals between the meetings of the Board of Directors exercise all the powers of the Board of Directors so far as the same may be lawfully delegated.

Sec. 2. The Executive Committee may act by a majority of its members and may prescribe such rules for the calling of meetings and the conduct of its business as it may deem proper.

ARTICLE IV.

Inspectors.

Sec. 1. Two Inspectors of Election shall be elected at each annual meeting of stockholders to serve for one year and if either Inspector shall refuse to serve or shall not be present at a meeting the meeting may appoint an Inspector in his place.

ARTICLE V.

Officers.

Sec. 1. The Officers shall consist of a President, Vice-President, Secretary, Assistant Secretary, Treasurer, Assistant Treasurer and such other officers as the Board of Directors shall appoint. The President and Vice-President shall be members of the Board of Directors and shall serve for one year or until their successors are appointed. The same person may be Secretary and Treasurer or Assistant Treasurer or may be Assistant Secretary and Treasurer or Assistant Treasurer. Such officers shall serve during the pleasure of the Board of Directors.

Sec. 2. The President shall preside at all meetings of the Board of Directors and shall act as temporary chairman at and call to order all meetings of the stockholders. He shall sign certificates of stock, sign and execute all contracts in the name of the Stock Clearing Corporation when authorized so to do by the Board of Directors, appoint and discharge agents and employees subject to the approval of the Board of Directors and he shall have the general management of the affairs of the Stock Clearing Corporation and perform all the duties incidental to his office.

Sec. 3. The Vice-President shall in the absence or incapacity of the President perform the duties of that officer except that he shall not act as a member of the Executive Committee unless he has been elected as one of the four members of the Executive Committee to be appointed by the Board of Directors. He shall perform such other duties as may be prescribed by the Board of Directors.

Sec. 4. Except as otherwise prescribed by the Board of Directors, the Treasurer shall have the care and custody of all funds and securities of the Stock Clearing Corporation, and shall deposit the same in the name of the Stock Clearing Corporation with such banks and trust companies as the Board of Directors may prescribe, and shall also have the care and custody of the Clearing Fund and shall deposit the same as provided in Section 2 of Article IX hereof, and the Treasurer shall sign all checks, drafts, notes and orders for the payment of money, which shall also be countersigned by the President or Vice-President, and shall pay out and dispose of the funds of the Stock Clearing Corporation and the Clearing Fund, and shall dispose of the securities of the Stock Clearing Corporation and the securities which shall come into its hands under the direction of the President. He shall sign all certificates of stock signed by the President, and he shall give such bonds for the faithful performance of his duties as the Board of Directors may determine.

Sec. 5. The Assistant Treasurer shall in the absence or incapacity of the Treasurer perform the duties of that officer and shall perform such other duties as may be prescribed by the Board of Directors and shall give such bonds for the faithful performance of his duties as the Board of Directors may determine.

Sec. 6. The Secretary shall keep the minutes of the Board of Directors and also the minutes of the meetings of the stockholders. He shall attend to the giving and serving of all notices of the Stock Clearing Corporation and shall affix the seal of the Stock Clearing Corporation to all certificates of stock when signed by the President and Treasurer. He shall have charge of the certificate book and such other books and papers as the Board of Directors may direct. He shall attend to such correspondence as may be assigned to him and perform all the duties incidental to his office. He shall also keep a stock book containing the names alphabetically arranged of all persons who are stockholders of the Stock Clearing Corporation showing their place of residence, the number of shares of stock held by them respectively, the time when they respectively became the owners thereof, and the amount paid thereon and such books shall be open for inspection as prescribed by law.

Sec. 7. The Assistant Secretary shall in the absence or incapacity of the Secretary perform the duties of that officer and shall perform such other duties as may be prescribed by the Board of Directors.

ARTICLE VI.

Compensation of Officers and Members of the Executive Committee.

Sec. 1. The compensation of the President shall be fixed by a majority (which shall not include the President) of the whole Board of Directors. The compensation of the four members of the Executive Committee appointed by the Board of Directors shall be fixed by a majority (which shall not include any of said members of the Executive Committee) of the whole Board of Directors. The compensation of each of the officers and employees of the Stock Clearing Corporation other than the President shall be fixed by the Board of Directors.

ARTICLE VII.

Clearing Members.

Sec. 1. The Stock Clearing Corporation shall act only for members of the New York Stock Exchange and firms having as partners members of the New York Stock Exchange and registered thereon who apply to the Stock Clearing Corporation to act for them and whose applications are approved by the Stock Clearing Corporation. It may at any time in its discretion cease either temporarily or definitively to act for any such Stock Exchange member or firm and shall definitively cease to act for any such Stock Exchange member or firm who shall notify it in writing of his or their election that it shall do so except insofar as provision is made in the Rules of the Stock Clearing Corporation for pending transactions. The Stock Exchange members or firms for whom it acts

shall until it definitively ceases to act for them be known as Clearing Members. Clearing Members for whom it has temporarily ceased to act shall be known as retired Clearing Members.

A member of the New York Stock Exchange or a firm registered thereon, whose application to become a Clearing Member has been approved by the Stock Clearing Corporation, shall pay to the Stock Clearing Corporation his or their original contribution to the Clearing Fund determined in accordance with the provisions of Article IX hereof and shall sign and deliver to the Stock Clearing Corporation an instrument in writing whereby such applicant shall agree:

(a) That the applicant while a Clearing Member will clear through the Stock Clearing Corporation directly or through another another Clearing Member every contract and transaction to which the applicant may be a party and which the By-Laws or Rules of the Stock Clearing Corporation may require to be cleared through the Stock Clearing Corporation.

(b) That the applicant while a Clearing Member will abide by the By-Laws and Rules of the Stock Clearing Corporation and shall be bound by all the provisions thereof including the provisions prescribing the liens which the Stock Clearing Corporation shall have upon stocks and securities which are the subject of transactions had for the applicant's account, and the Stock Clearing Corporation shall have all the liens, rights and remedies contemplated by said By-Laws and Rules of the Stock Clearing Corporation.

(c) That said By-Laws and Rules of the Stock Clearing Corporation shall be a part of the terms and conditions of every contract or transaction which the applicant while a Clearing Member may make or have with the Stock Clearing Corporation and of every contract or transaction into which the applicant while a Clearing Member may enter and which the By-Laws or Rules of the Stock Clearing Corporation may require to be cleared through the Stock Clearing Corporation.

(d) That the applicant will not clear through the Stock Clearing Corporation any contract or transaction unless the By-Laws and Rules of the Stock Clearing Corporation are a part of the terms and conditions of such contract or transaction.

(e) That the applicant will pay to the Stock Clearing Corporation the compensation provided for by the By-Laws and Rules of the Stock Clearing Corporation for clearing and other services rendered to the applicant while a Clearing Member and such fines as may be imposed in accordance with such By-Laws and Rules of the Stock Clearing Corporation for the failure of the applicant while a Clearing Member to comply therewith.

(f) That the applicant will pay to the Stock Clearing Corporation any amounts which pursuant to the provisions of Article IX hereof shall become payable by the applicant to the Stock Clearing Corporation.

(g) That in case the Clearing Fund together with the other resources of the Stock Clearing Corporation applicable to the payment of its liabilities incurred or growing out of transactions occurring while the applicant is a Clearing Member are insufficient to enable it to meet such liabilities, the applicant will contribute toward such deficiency a sum bearing the same proportion thereto that the member's contribution to the Fund (as fixed at the time or times when the liabilities are incurred or the transactions occur) bears to such Fund, not exceeding however the amount of such contribution.

(h) That the applicant's books and records shall at all times be open to the inspection of the duly authorized representatives of the Stock Clearing Corporation and that the Stock Clearing Corporation shall be furnished with all such information in respect to the applicant's business and transactions as it may require, provided that if the applicant shall cease to be a Clearing Member the Stock Clearing Corporation shall have no right to inspect the applicant's books and records or to require information relating to transactions wholly subsequent to the time when the applicant ceases to be a Clearing Member.

(i) That the determination of the Stock Clearing Corporation by its Board of Directors or Executive Committee of all questions affecting the charges to which the applicant's contribution to the Clearing Fund are or may be subject shall be final and conclusive.

(j) That the applicant will be bound by any amendment to the By-Laws or Rules of the Stock Clearing Corporation with respect to any transaction occurring subsequent to the time such amendment takes effect as fully as though such amendment were now a part of the By-Laws and Rules of the Stock Clearing Corporation, provided however that no such amendment shall affect the applicant's right to cease to be a Clearing Member or alter the provisions of Article IX of the By-Laws of the Stock Clearing Corporation unless before such amendment becomes effective the applicant is given an opportunity to give written notice to the Stock Clearing Corporation of his election that it shall definitively cease to act for him.

Sec. 2. Clearing Members only shall be entitled to clear contracts through the Stock Clearing Corporation. A Clearing Member who clears through the Stock Clearing Corporation any contract or transaction for a Member of the New York Stock Exchange or firm registered thereon, who is not a Clearing Member, shall so far as the rights of the Stock Clearing Corporation and of other Clearing Members are concerned, be liable as principal.

Sec. 3. The Stock Clearing Corporation, without ceasing to act for a Clearing Member, may decline to act in respect to any particular transaction or class of transactions.

Sec. 4. Insofar as provision is made in the Rules of the Stock Clearing Corporation for transactions pending when the Stock Clearing Corporation ceases to act for a Clearing Member, the Clearing Member shall be bound by action of the Stock Clearing Corporation taken pursuant to said Rules of the Stock Clearing Corporation.

Sec. 5. Any notice from the Stock Clearing Corporation to a Clearing Member shall be sufficiently served on such Member if the notice is in writing and is delivered to the Member's office address or is given as required by the Rules of the Stock Clearing Corporation.

ARTICLE VIII.

Lists to be maintained.

Sec. 1. The Stock Clearing Corporation shall maintain a list of the stocks, bonds, notes, rights to subscribe and other securities, rights or interests which may be the subject of contracts cleared through the Stock Clearing Corporation and which are hereinafter called "cleared securities" and may from time to time add to such list or remove therefrom stocks, bonds, notes, rights to subscribe or other securities or rights.

Sec. 2. The Stock Clearing Corporation shall maintain a list of banks, bankers, trust companies and other lenders of money approved by it, who have entered into an agreement, in form prescribed by it, to comply with its regulations, so that it may act for Clearing Members in delivering to them and receiving from them stocks and securities and receiving from them and paying to them amounts payable in connection with such receipts and deliveries; and it may from time to time add names to such list and remove names therefrom.

ARTICLE IX.

Clearing Fund.

Sec. 1. The contribution of each Clearing Member to the Clearing Fund shall be fixed by the Stock Clearing Corporation in its discretion at the time of the member's application for membership and may thereafter from time to time be increased or diminished by the Stock Clearing Corporation but the minimum contribution to be made by a Clearing Member shall be Five Thousand Dollars.

Sec. 2. The Clearing Fund may be used by the Stock Clearing Corporation for the purposes of its business as defined in its Articles of Incorporation and subject to such use shall be deposited by the Stock Clearing Corporation in a special account in its name in such depository

or depositories in the City of New York as may be selected by the Stock Clearing Corporation. Any interest paid by the depositories shall belong to the Stock Clearing Corporation. No interest shall be paid to the Clearing Members on the amounts contributed by them to the Clearing Fund.

Sec. 3. If any Clearing Member shall fail to discharge duly any liability to the Stock Clearing Corporation, the amount of his contribution or so much thereof as is necessary shall forthwith be applied toward the discharge of such liability and such member shall immediately upon demand make good the deficiency in the amount of his contribution resulting from such application.

Sec. 4. If the Stock Clearing Corporation suffers a loss in excess of a Clearing Member's contribution to the Clearing Fund by reason of his default, or suffers a loss by reason of the insolvency of the depository, or larceny, or embezzlement, such excess loss, or such loss, as the case may be, shall to the extent of the surplus of the Stock Clearing Corporation be made good therefrom, but to the extent that said surplus is insufficient to make it good it shall be made good out of the Clearing Fund and charged pro rata against the contributions as fixed at the time of transaction from which the loss results of the Clearing Members other than the Clearing Member, if any, primarily liable.

Insofar however as a loss sustained through the default of a Clearing Member in any contract or transaction with another Clearing Member or other Clearing Members is under the Rules of the Stock Clearing Corporation made good by such other Clearing Member or Clearing Members, it is not to be deemed a loss sustained by the Stock Clearing Corporation within the meaning of this section.

Sec. 5. All liabilities of the Stock Clearing Corporation shall be guaranteed by the Clearing Fund which so far as necessary shall be applied to the discharge of such liabilities. Any amount paid out of the Clearing Fund to discharge liabilities of the Stock Clearing Corporation shall be made good out of the existing surplus of the Stock Clearing Corporation, and if such payment does not represent a loss of the character specified in Section 4 of this Article, then, insofar as the surplus is insufficient to make the same good, it shall be made good out of the capital of the Stock Clearing Corporation. Any amounts paid out of the Clearing Fund, and not made good as herein provided, shall be charged pro rata against the contributions as fixed at the time of the transactions from which the liabilities result of the Clearing Members other than those, if any, primarily liable.

Sec. 6. Whenever a Clearing Member definitively ceases to be such, the amount of his contribution shall be returned to him or his representatives, but not until all transactions open at the time he ceases to be a Clearing Member from which losses or payments chargeable to the Clearing Fund might result have been closed and all amounts chargeable

against his contribution on account of transactions had while he was a Clearing Member have been deducted.

Sec. 7. If the contribution to the Clearing Fund to be made by a Clearing Member is increased, such increase shall not become effective until he is given an opportunity to give written notice to the Stock Clearing Corporation of his election that it shall definitively cease to act for him. If however he does not give such written notice before the time specified in the notice to him of the increase in the amount of his contribution as the time when the same becomes effective, he shall pay to the Stock Clearing Corporation the amount of the increase and the liability of his contribution for losses and his additional personal liability under his agreement with the Stock Clearing Corporation shall thereafter be fixed and determined by the amount of his contribution as increased. If a pro rata charge against any Clearing Member's contribution is made pursuant to the provisions of Section 4 or Section 5 of this Article, he may at any time within two days after notice to him of such charge give written notice to the Stock Clearing Corporation of his election that it shall definitively cease to act for him. If he gives such notice the amount of the pro rata charge against his contribution shall nevertheless be deducted from the amount of his contribution and such pro rata charge shall not affect the amount of the liability of his contribution or his additional personal liability on account of other transactions occurring before he ceases to be a Clearing Member; but the aggregate amount of the liability of his contribution and his additional personal liability by reason of such pro rata charge and such other transactions shall not exceed the amount of his contribution plus One Hundred per cent thereof, except that he must carry out any obligation to make good the deficiency in the amount of his contribution resulting from a previous pro rata charge.

Sec. 8. If a Clearing Member's contribution to the Clearing Fund after having been fixed by the Stock Clearing Corporation and paid in by the member is thereafter decreased by the Stock Clearing Corporation, the difference shall be paid to the Clearing Member as soon as all transactions open at the time of such decrease from which losses and payments chargeable to the Clearing Fund might result have been closed and after the amount if any to be charged against his contribution on account of transactions previously had have been made good by him.

Sec. 9. If a loss charged pro rata against the contributions of Clearing Members is afterward recovered by the Stock Clearing Corporation, in whole or in part, the net amount of such recovery shall be credited to the Clearing Members against whose contributions the loss was charged in proportion to the amounts charged against their respective contributions whether or not they are still Clearing Members.

Sec. 10. The net annual earnings of the Stock Clearing Corporation in excess of six per cent. of the amount of its capital stock shall

be carried to surplus until the surplus equals \$500,000. After the surplus equals \$500,000, all or any part of the net annual earnings may be distributed as dividends.

ARTICLE X.

Rules.

Sec. 1. The Board of Directors shall prescribe and from time to time amend Rules of the Stock Clearing Corporation which shall determine what contracts and transactions between Clearing Members in cleared securities shall be cleared through the Stock Clearing Corporation and what contracts and transactions therein may be cleared through the Stock Clearing Corporation and may regulate the clearing of such contracts and transactions and the receipt and delivery of stocks and securities on contracts and transactions between Clearing Members and the payment therefor and the delivery and receipt of the Stock Clearing Corporation for account of Clearing Members of stocks and securities to and from banks, bankers, trust companies and other lenders of money named in the list for which provision is made in Section 2 of Article VIII hereof and the receipt from and repayment to said banks, bankers, trust companies and other lenders of money of loans made by them to Clearing Members and shall prescribe and define the duties and obligations of Clearing Members in connection with the above matters and the manner in which pending transactions of Clearing Members for whom it ceases to act or who become insolvent shall be dealt with. The Board of Directors may by special rules, adopted from time to time, make provision for special clearances of any contracts between Clearing Members having to do with any stocks, bonds, notes, rights to subscribe or other securities or rights. The Rules of the Stock Clearing Corporation, made in accordance with these By-Laws, shall have the same force and effect as though a part hereof, and may define the rights and remedies of the Stock Clearing Corporation on account of amounts paid out by it for account of a Clearing Member or for which the Clearing Member is otherwise indebted to it, and its liens, rights and remedies with respect to stocks, securities or monies received by it for account of a Clearing Member or which are the subject of transactions in which it is concerned, and may prescribe the procedure to be followed in case of default of a Clearing Member in the performance of his obligations to the Stock Clearing Corporation or in case of his default upon his contracts, which are subject to the clearing or otherwise and may prescribe the extent to which any losses resulting from such procedure and not made good by the defaulting Clearing Member is to be charged against his contribution to the Clearing Fund and how far and in what manner such loss shall be borne by and charged against the other Clearing Members with whom the defaulting Member's contracts have been made. The Rules of the Stock Clearing Corporation may provide that the Stock Clearing Corporation may bor-

row money and may pledge for the re-payment thereof all or any part of the securities held by it for account of a Clearing Member either alone or together with stocks or securities held by it for account of other Clearing Members or otherwise and whether or not the amounts for which such stocks and securities are so pledged shall exceed the indebtedness of the Clearing Member to the Stock Clearing Corporation. The Rules of the Stock Clearing Corporation may prescribe the charges to be paid for services rendered by the Stock Clearing Corporation to Clearing Members and the fines or other penalties to which Clearing Members will be liable for violation of the Rules of the Stock Clearing Corporation or its By-Laws and may contain any other regulations and provisions which are consistent with the Articles of Incorporation and these By-Laws and which in the opinion of the Board of Directors are necessary to carry out the purposes of the Stock Clearing Corporation.

ARTICLE XI.

Stock.

Sec. 1. The stock of the Stock Clearing Corporation shall be represented by certificates sealed with the seal of the Stock Clearing Corporation and signed by the President and Treasurer. The stock may be transferred by the stockholder in person or by attorney on the surrender of the certificate properly endorsed.

ARTICLE XII.

Seal.

Sec. 1. The seal of the Stock Clearing Corporation shall be circular in form with the words, "STOCK CLEARING CORPORATION" on the circumference and the figures "1919" in the center. It shall be kept by the Secretary and shall be affixed to all instruments requiring the seal.

ARTICLE XIII.

Amendments.

Sec. 1. These By-Laws may be amended by the Board of Directors at a special meeting called for that purpose by the affirmative votes of a majority of the entire Board of Directors.

RULES OF THE STOCK CLEARING CORPORATION

Adopted Pursuant to Article X of the By-Laws, March 31st, 1920

Rule 1.—Requirements for Members.

Every Clearing Member shall maintain an office at a location in the vicinity of the New York Stock Exchange approved by the Stock Clearing Corporation at which office, on every business day except Saturdays between the hours of 9:30 A. M. and 3 P. M., there shall be present a representative of the Clearing Member authorized in the name of the Clearing Member to sign all instruments and transact all business requisite in connection with the operations of the Stock Clearing Corporation. If the representative of the Clearing Member is not a partner in the Clearing Member's firm, such representative shall be authorized to act by a written power of attorney, in form approved by the Stock Clearing Corporation.

There shall be present at said office on every business day from 9:30 A. M. until 4:30 P. M., except on Saturdays, and on Saturdays from 9:30 A. M. until 1:30 P. M., some person authorized on behalf of the Clearing Member to correct such errors as may be discovered in the night clearing sheet.

Clearing Members shall file with the Stock Clearing Corporation the signatures of the members of their firms and of their representatives who are authorized to sign checks, agreements, receipts, orders and other papers necessary for conducting business with the Stock Clearing Corporation together with the powers of attorney or other instruments giving such authority.

The Stock Clearing Corporation may require Clearing Members who are to receive its checks or other instruments to prepare them for execution by it by filling them out in whole or in part and to identify them by the signatures of their representatives.

A Clearing Member may use for the purposes hereof the office of another Clearing Member provided such use is pursuant to a written contract approved by the Stock Clearing Corporation.

Rule 2.—Definitions and Descriptions.

The term "Securities" includes stocks, bonds, notes, rights to subscribe and other securities, rights and interests which may be the subject of contracts and transactions with which the Stock Clearing Corporation has to do.

The term "Cleared Securities" means securities included in the list for which provision is made in Section 1 of Article VIII of the By-Laws.

All contracts between Clearing Members made on the New York Stock Exchange calling for the delivery of cleared securities shall be cleared and delivery and payment made through the Stock Clearing Corporation, unless it is otherwise stipulated in the bid or offer or the parties otherwise agree; in the case of agreements between Clearing Members for the loan of cleared securities made before 4:30 P. M. on any regular business day or before 1:30 P. M. on any half holiday observed by the New York Stock Exchange, delivery and payment of the amount involved shall be made through the Stock Clearing Corporation unless otherwise agreed by the parties; in the case of the return of loans of cleared securities between Clearing Members pursuant to notice given before 3:30 P. M. on any regular business day or before 12:30 P. M. on any half holiday observed by the New York Stock Exchange, re-delivery and re-payment shall be made through the Stock Clearing Corporation unless otherwise agreed by the parties; in any transaction between Clearing Members involving the transfer of cleared securities, the transaction may be cleared and the delivery and payment of the amount involved may be made through the Stock Clearing Corporation if the parties to the transaction so agree; provided, however, that no transaction shall be cleared or securities delivered through the Stock Clearing Corporation unless the securities involved are in lots of 100 shares of stock or multiples thereof or in lots of \$1,000 par value of bonds or multiples thereof nor unless the amount involved is within the high and low prices of the securities in the period covered by the night clearing sheet on which the transaction is entered as hereinafter provided; provided further that the Stock Clearing Corporation in its discretion may decline to act in any special instance.

The term "business day" as used in these Rules shall not include days when the New York Stock Exchange is closed and deliveries on contracts subject to the Rules of the Exchange are suspended by order of the Governing Committee of the Exchange.

The term "Night Clearing" covers all of the operations to which these Rules are applicable up to and including the issue of orders by the Night Clearing Branch of the Stock Clearing Corporation directing the receipt and delivery of security balances.

The term "Day Clearing" covers all other ordinary operations to which these Rules are applicable except the distribution of sales tickets which will take place at the Distributing Department of the Night Clearing Branch.

The term "Debit Balance" as used in these Rules in respect to a Clearing Member means the amount which the Stock Clearing Corporation has paid out or is obligated or may become obligated to pay out for his account pursuant to these Rules less the credits to which the Clearing Member has become definitively entitled pursuant to these Rules. The Clearing Member's contribution to the Clearing Fund and the amount payable to the Clearing Member or payable by him under the provisions of the By-Laws relating to the Clearing Fund do not enter into the debit balance nor do the amounts payable by him to the Stock Clearing Corporation for account of fines and penalties or for services rendered.

Notices to Clearing Members and to banks, bankers, trust companies and other lenders of money that the Stock Clearing Corporation has ceased to act for a Clearing Member or that the Clearing Member is insolvent shall be sufficient if sent out on the ticker service of the New York Quotation Company and the Gold and Stock Telegraph Company, but so far as practicable such notice in the case of banks, bankers, trust companies and other lenders of money shall be supplemented by telephonic or other speedy means of communication.

Every Clearing Member will be allotted a number which must appear on the face of all forms used by the Clearing Member in connection with the operations of the Stock Clearing Corporation.

All necessary blank forms will be furnished by the Stock Clearing Corporation. No others may be used.

The official date of the clearing is the day on which contracts are due and the securities are to be delivered and all night clearing sheets, exchange tickets, security balance tickets, checks and drafts shall bear that date though they may be issued on a preceding day.

The Branch for the conduct of the night clearing shall be located at 55 New Street.

The Branch for the conduct of the day clearing shall be located at the New York Stock Exchange building.

Rule 3.—Distributing Department.

(a) The Night Clearing Branch will maintain a Distributing Department where all exchange tickets and sales tickets with stamps attached will be received and distributed. The Stock Clearing Corporation

will not be responsible for the exchange of exchange tickets nor the correctness of same. All exchange tickets and sales tickets with stamps attached sent to the Stock Clearing Corporation for distribution shall be at the risk of the Clearing Member for whose account they are to be delivered. The Distributing Department will remain open until 4:30 P. M. on Mondays, Tuesdays, Wednesdays, Thursdays and Fridays and until 1:30 P. M. on Saturdays.

(b) When securities are to be delivered through the Stock Clearing Corporation, there shall be an order on the Stock Clearing Corporation by a Clearing Member to deliver the same for his account and a corresponding order by another Clearing Member on the Stock Clearing Corporation to receive the same for his account. These orders to deliver and receive constitute exchange tickets and shall be made out immediately after the transaction calling for the delivery of the securities or the agreement to deliver them through the Stock Clearing Corporation and shall be exchanged through the Distributing Department of the Stock Clearing Corporation to which they shall be sent as soon as practicable, not later than 4 P. M. on business days other than Saturdays and not later than 1 P. M. on Saturdays.

(c) Clearing Members shall send to the Distributing Department at frequent intervals for the exchange tickets made out by the Clearing Members with whom they have contracts.

(d) The Distributing Department will not receive nor distribute exchange tickets unless both parties are Clearing Members.

(e) If a Clearing Member is unable to send exchange tickets to the Distributing Department by 1 P. M. on a Saturday or by 4 P. M. on any other business day, the exchange of exchange tickets must be made at the offices of the contracting parties before 1:30 P. M. if a Saturday and before 4:30 P. M. if any other business day.

(f) Sales tickets with stamps attached for transactions in securities cleared through the Stock Clearing Corporation shall be sent to the Distributing Department between the hours of 9:30 A. M. and 11 A. M. on the clearing day following the transactions and shall be called for between 11 A. M. and 11:30 A. M.

Rule 4.—Clearing Sheets.

On every business day (except Saturday and except a business day immediately preceding a Saturday that is not a holiday) before 7 P. M. and on a Saturday that is not a holiday before 4 P. M., each Clearing Member who has transactions to be cleared on the next clearing day shall send to the Night Clearing Branch a clearing sheet (herein called the night clearing sheet) in such form as shall be required by

the Stock Clearing Corporation, showing all transactions calling for the receipt and delivery of securities for which he has exchanged exchange tickets. There shall be no day clearing on Saturday which shall not be a clearing day. The night clearing sheet presented to the Night Clearing Branch on Saturday for the next clearing day shall include Saturday's transactions and the transactions of the preceding business day.

The night clearing sheet shall show on the debit side of the account each security to be received and the sum to be paid therefor and on the credit side of the account each security to be delivered and the sum to be received therefor and shall show on the debit side of the account the balance of each security to be delivered with the value thereof extended at the delivery price announced by the Night Clearing Branch of the Stock Clearing Corporation and shall show on the credit side the balance of each security to be received with the value thereof extended at the delivery price announced by the Night Clearing Branch of the Stock Clearing Corporation. The sheet, having been made out as above prescribed, the debit or credit balance in money shall be ascertained. If the sheet shows a debit balance, a check for the balance on a bank or trust company in the vicinity of the New York Stock Exchange, drawn to the order of the Bank of Manhattan Company, shall accompany the sheet. If the sheet shows a credit balance, the Clearing Member's draft on the Bank of Manhattan Company in such form as prescribed by the Stock Clearing Corporation for the balance shall accompany the sheet.

The exchange tickets received from other Clearing Members together with the tickets for the security balances shall accompany the sheet.

The Stock Clearing Corporation may for convenience require that transactions in any specified security or securities shall be entered on a separate night clearing sheet and shall be kept distinct from all other transactions.

Security balance tickets for the balance of each security to be delivered or received with the value thereof at the delivery price announced by the Night Clearing Branch of the Stock Clearing Corporation shall accompany the night clearing sheet. Between 9 A. M. and 9:30 A. M. on the day on which the contracts are due, i. e. the clearing day, these security balance tickets will be returned to the Clearing Member at the Night Clearing Branch with the names filled in of the members to whom deliveries are to be made and from whom securities are to be received, which then become orders for the receipt and delivery of securities.

The drafts on the Bank of Manhattan Company for credit balances shown on the night clearing sheet, approved by the Stock Clearing Corporation, will be ready for delivery at and after 12 M. on the clearing day at the Day Clearing Branch.

Rule 5.—Itemized Lists for Security Balances.

On every business day except Saturday, each Clearing Member shall send to the Day Clearing Branch not later than 10 A. M. itemized lists of security balances to be delivered and to be received on the security balance orders of the Night Clearing Branch of the Stock Clearing Corporation. The list, which shall be signed by the Clearing Member or his representative, shall be accompanied by written orders (credit and charge tickets), authorizing the Stock Clearing Corporation with respect to each security to be delivered to credit the Clearing Member's account with the value thereof and with respect to each security to be received to charge his account with the value thereof. The value in each case shall be reckoned at the delivery price announced by the Night Clearing Branch. Such credits and charges shall be contingent upon actual delivery or receipt of the securities.

The lists shall have printed thereon an agreement whereby the Clearing Member pledges to the Stock Clearing Corporation all of the stocks and bonds in the list of securities to be delivered by him and all of the stocks and bonds in the list of securities to be received by him, as and when received, to secure payment to the Stock Clearing Corporation of his debit balance on the day's transactions and shall agree that all of the stocks and bonds so pledged shall be delivered to the Stock Clearing Corporation at 2:45 P. M. or on its previous demand, the Clearing Member reserving the right at any time before such demand by the Stock Clearing Corporation in case of securities to be delivered to make delivery thereof in accordance with the orders of the Stock Clearing Corporation, so as to entitle him to credit for the value thereof, and reserving the right at any time before such delivery to the Stock Clearing Corporation in case of securities to be received to substitute therefor the proceeds thereof in money or other securities of equal value. The said agreement shall be in such form and shall confer upon the Stock Clearing Corporation such rights and powers in respect to securities pledged as the Stock Clearing Corporation shall prescribe. The Stock Clearing Corporation shall have the right to make delivery for account of the Clearing Member of any of said securities to be delivered which come into its possession.

When the Stock Clearing Corporation has directed that transactions in specified securities shall be entered on a separate night clearing sheet and kept separate from other transactions, it may direct that the security balances of such securities to be received and delivered shall not be included in the list of security balances to be sent to the day Clearing Branch and that such security balances shall be delivered and payment therefor obtained as provided in Section 1 of Article XXV of the Constitution of the New York Stock Exchange in respect to deliveries made under New York Stock Exchange contracts.

Rule 6.—Delivery of Securities

Deliveries on security balance orders received from the Night Clearing Branch shall be made before 2:15 P. M. and shall be accompanied by receipts made out on forms furnished for this purpose by the Stock Clearing Corporation.

Each receipt shall consist of a credit ticket and a charge ticket which shall be signed by or on behalf of the Clearing Member receiving the securities and filed with the Day Clearing Branch by the delivering member as soon as possible after the delivery has been made with the time of delivery stamped thereon.

Each Clearing Member shall send to the Day Clearing Branch immediately after 2:15 P. M. and not later than 2:30 P. M. a separate notice of each failure to deliver and each failure to receive each security balance which he has been directed either to receive or to deliver.

A Clearing Member entitled under Article XXV of the Constitution of the New York Stock Exchange to require delivery of a security balance by transfer or to make delivery of a security balance by transfer shall give written notice to the Stock Clearing Corporation of his election to exercise such right before 11 A. M. on the clearing day. If the delivery by transfer is made by agreement of the parties to the transaction, the notice shall be given by the party making the delivery and shall be accompanied by the written consent of the Clearing Member to whom the delivery is to be made. In every case where delivery is made by transfer, the Clearing Member making delivery shall obtain from the Clearing Member to whom delivery is made and shall return to the Stock Clearing Corporation with the credit and charge tickets for the securities delivered a certified check endorsed in blank for the delivery price unless the Stock Clearing Corporation before 11:15 A. M. has consented in writing that the price for the securities delivered by transfer shall be charged and credited as provided in Rule V hereof. The notice hereinbefore referred to shall be in duplicate and the written consent of the Stock Clearing Corporation, if given, shall be stamped or written upon one of said duplicate notices which shall be returned to the Clearing Member from whom the notices were received.

Rule 7.—Delivery of Securities Not Entered on Night Clearing Sheet.

If two Clearing Members are parties to an agreement for the delivery of securities and payment therefor on the clearing day and such transaction is not entered on their night clearing sheets, the Stock Clearing Corporation may act for them in making and receiving payment. The Clearing Members who wish the Stock Clearing Corporation to act

for them as aforesaid shall each send to the Day Clearing Branch before 11 A. M. a written request in duplicate that it shall so act in such form as shall be prescribed by the Stock Clearing Corporation. If the Stock Clearing Corporation consents to act, it will before 11:15 A. M. stamp one duplicate of each of such requests with the direction to deliver or receive as the case may be and return the same to the Clearing Member who shall cause the same to be called for not later than 11:15 A. M. If it does not consent to act, it will stamp one duplicate "Disapproved." If it consents to act, the securities to be delivered or received shall be entered on forms especially provided for this purpose. Said forms shall have printed thereon the same agreement that is printed on the lists of security balances and shall be similarly signed and the securities therein mentioned shall be subject to the same lien. The Clearing Member who is to deliver the securities shall deliver the same as provided in Rule VI and obtain and deliver to the Stock Clearing Corporation the credit and charge delivery tickets similar to those provided for in Rule VI. Thereupon, he will be credited by the Stock Clearing Corporation with the amount to be paid him upon the delivery of the securities under the agreement with the other Clearing Member and the Clearing Member to whom the securities have been delivered will be charged with said agreed amount.

All of the provisions of these Rules applicable to deliveries upon security balance orders shall be applicable to deliveries directed to be made pursuant to this rule except that in case the securities are sold out or bought in "under the rule," any loss resulting therefrom shall not be made good by the Stock Clearing Corporation to the Clearing Member who caused such sale or purchase to be made but is to be borne by the Clearing Member in default, and any profit resulting from the transaction shall be paid by such Clearing Member to the Clearing Member in default, and except further that if by agreement between the parties a delivery directed to be made pursuant to this rule is postponed as provided in Rule XXIII, the parties may by mutual agreement and consent of the Stock Clearing Corporation enter the transaction on the night clearing sheets.

Rule 8.—Provisions for Lenders of Money.

Suitable provision shall be made in the Day Clearing Branch for representatives of banks, bankers, trust companies and other lenders of money, approved by the Stock Clearing Corporation.

Such banks, bankers, trust companies and other lenders of money shall deliver checks for new loans and receive checks for loans paid off at the Day Clearing Branch and shall there receive and deliver the collateral for such loans.

Rule 9.—Agreements for Loans.**SECTION 1.**

(a) The Stock Clearing Corporation will not act for a Clearing Member in respect to loans of money unless the lender is approved by the Stock Clearing Corporation and has entered into an agreement, in form prescribed by it, to abide by these rules nor will it act for a Clearing Member in respect to any particular loan except as herein provided. It will not act for a Clearing Member in respect to a loan made or returned on Saturday.

(b) Agreements for the return of loans and the making of new loans, on forms prescribed by the Stock Clearing Corporation, shall be executed in quadruplicate by or on behalf of the Clearing Member and the lender. Two originals shall be retained by the lender and two delivered to the Day Clearing Branch of the Stock Clearing Corporation after 10:00 A. M. and not later than 12:15 P. M.

(c) If an agreement for the return of a loan or for a new loan is filed with the Stock Clearing Corporation before 11:30 A. M., the Stock Clearing Corporation may, at any time within one hour after the agreement is filed, give notice to the lender that it declines to act in the transaction. If the agreement is filed between 11:30 A. M. and 12:15 P. M., the Stock Clearing Corporation may, at any time before 12:30 P. M., give notice to the lender that it declines to act. If the Stock Clearing Corporation before the time expires within which it may decline to act in the transaction gives notice to the lender that an extension of time will be required and the lender gives notice to the Stock Clearing Corporation that he consents to such extension of time, the Stock Clearing Corporation may decline to act in the transaction at any time up to the expiration of such extension of time, but the notice of the Stock Clearing Corporation that an extension of time will be required shall for all purposes be equivalent to a notice that it declines to act in the transaction unless the lender gives notice as aforesaid that he consents to the extension of time. If the Stock Clearing Corporation gives notice as aforesaid to the lender that it declines to act, the loan agreement filed with it shall be inoperative. If the time within which it may give notice that it declines to act (including any extension thereof) expires without its giving notice that it declines to act, the loan agreement shall be operative and may be made operative earlier by the Stock Clearing Corporation's giving notice to the lender that it will act in the transaction.

SECTION 2.

(a) When the agreement for the return of a loan (hereinafter called a return loan agreement) has become operative, the Stock Clearing Corporation shall be obligated to the lender to pay off the loan for ac-

count of the Clearing Member upon the surrender of the collateral as provided in the agreement.

(b) Until a return loan agreement becomes operative, the lender may take such measures as he deems necessary for his protection. After it becomes operative, the Stock Clearing Corporation may take such measures as it deems necessary for its protection.

(c) Securities may be substituted in place of securities forming part of the collateral named in a return loan agreement only with the written consent of the Stock Clearing Corporation and the substitution must be made directly between the lender and the borrower.

SECTION 3.

(a) When an agreement for a new loan (hereinafter called a new loan agreement) has become operative, the lender shall be obligated to the Stock Clearing Corporation to make the loan upon the delivery to him of the collateral pursuant to the agreement, provided however that this obligation shall be terminated by the insolvency of the borrower and provided further that if the collateral named in the new loan agreement declines in market value before the agreement is carried out the lender as a condition of carrying it out may require additional collateral of the same character or equally satisfactory to him to an amount sufficient to maintain the same percentage of margin as is contemplated in the agreement or with the consent of the Stock Clearing Corporation may reduce the amount of the loan so that the percentage of margin will be maintained. The Stock Clearing Corporation shall be under no obligation to the lender to provide the collateral called for by a new loan agreement. After a new loan agreement becomes operative, the amount of the loan and the collateral therefor may be changed by the lender and borrower with the consent of the Stock Clearing Corporation upon the filing of the substitute new loan agreement with the Stock Clearing Corporation.

Rule 10.—Additional Collateral.

The Stock Clearing Corporation after paying off a loan for a Clearing Member or becoming obligated to the lender so to do may at any time require such additional collateral from the Clearing Member as in its opinion is necessary for its protection and the Clearing Member on demand of the Stock Clearing Corporation shall forthwith deposit with it such additional collateral.

Rule 11.—Rights in Respect to Loans to Be Paid.

After the Stock Clearing Corporation has become obligated to pay off a loan, it shall have the right to pay the loan and receive the collateral at the lender's office at any time before the lender has sent the collateral to the Day Clearing Branch of the Stock Clearing Corporation for delivery as provided in Rule XII.

Rule 12.—After Return Loan Agreements Become Operative.

Every return loan agreement filed with the Stock Clearing Corporation shall be accompanied by a written direction, made out in quadruplicate, of the Clearing Member to the Stock Clearing Corporation to pay for his account to the lender the amount of the loan plus accrued interest. If the return loan agreement becomes operative, the Stock Clearing Corporation, between 11:30 A. M. and 2:30 P. M., will deliver a check to the lender's representative who shall deliver to the Stock Clearing Corporation the collateral for the loan. The collateral shall be compared with the securities named in the return loan agreement by the representatives of the lender and borrower who shall sign an acknowledgment in duplicate as to the correctness of the collateral. The original shall be filed with the Stock Clearing Corporation and the duplicate retained by the lender. The loan envelope together with the acknowledgment signed by the representatives of the borrower and lender shall be filed with the Stock Clearing Corporation.

Rule 13.—Withdrawal of Collateral from Loans Paid.

When securities which have come into possession of the Stock Clearing Corporation as part of the collateral for a loan paid off by it for a Clearing Member are needed by him for delivery on a security balance order or under the provisions of Rule VII, the Stock Clearing Corporation may in its discretion deliver such securities to him. He shall deposit with the Day Clearing Branch the security balance order directing him to deliver the securities and shall submit the credit and charge tickets covering such delivery and shall sign and deliver to the Stock Clearing Corporation a receipt in form prescribed by it. The credit and charge tickets submitted by him will be stamped by the Stock Clearing Corporation so as to show that the securities therein mentioned are obtained for delivery in execution of the order of the Stock Clearing Corporation. The credit and charge tickets shall be returned to the Stock Clearing Corporation, properly signed by the Clearing Member to whom the securities are to be delivered, as soon as possible after the delivery of the securities, and not later than one hour after such delivery with the time of delivery stamped thereon, also the numbers of the securities so delivered entered thereon.

Rule 14—

When securities which have come into possession of the Stock Clearing Corporation as part of the collateral for a loan paid off by it for a Clearing Member are needed by him to complete the collateral called for by a new loan agreement, the Stock Clearing Corporation may deliver the needed securities between 11:30 A. M. and 2:30 P. M. upon the Clearing Member's receipt and the delivery to the Stock Clearing Corporation by the representative of the lender under the new loan agreement of the lender's check for the amount of the new loan.

Rule 15.—Time for New Loans.

The securities constituting the collateral called for by a new loan agreement shall be delivered by the borrower's representative to the representative of the lender at the Day Clearing Branch of the Stock Clearing Corporation between the hours of 12:30 P. M. and 2:30 P. M. and the lender's check for the amount of the loan payable to the order of the Stock Clearing Corporation shall be delivered to the Stock Clearing Corporation.

Rule 16.—Debit and Credit Balances.

If the transactions for the day show a balance due the Stock Clearing Corporation from the Clearing Member, a check on a bank or trust company in the vicinity of the New York Stock Exchange, payable through the New York Clearing House Association, drawn to the order of the Stock Clearing Corporation for the amount of such balance shall be delivered to the Stock Clearing Corporation at the Day Clearing Branch before 2:45 P. M. The check shall be certified if for \$5,000.00 or over.

If the transactions for the day show a balance due the Clearing Member by the Stock Clearing Corporation, a memorandum of such balance in such form as the Stock Clearing Corporation shall require shall be presented to the Stock Clearing Corporation before 2:45 P. M. and the Stock Clearing Corporation shall give the Clearing Member its check for the amount at the Day Clearing Branch not later than 3 P. M.

Rule 17.—Final Receipts of the Day.

The Clearing Member shall present to the Stock Clearing Corporation at the Day Clearing Branch between 2:45 P. M. and 3 P. M. an order properly signed enumerating in detail each security, receipt or paper in the possession of the Stock Clearing Corporation to which the Clearing Member is entitled and such securities, receipts or papers will be delivered on such order, provided the Clearing Member's debit balance for the day has been settled.

Rule 18.—Rights of Stock Clearing Corporation in Respect to Securities Pledged.

The Stock Clearing Corporation shall have a lien for the amount of the debit balance of a Clearing Member on any and all securities held by it for his account. It shall have the right to borrow money and pledge for the re-payment thereof all or any part of the securities held by it for account of a Clearing Member either alone or together with securities held by it for account of other Clearing Members or otherwise and whether or not the amounts for which such securities are so pledged shall exceed the debit balance of the Clearing Member. In case a Clearing Member shall become insolvent or shall fail to pay his debit balance before 2:45 P. M. or on demand or in case the securities held for his ac-

count by the Stock Clearing Corporation shall become in its opinion insufficient to afford adequate security for his debit balance or he shall fail on its demand to furnish additional collateral, the Stock Clearing Corporation may cause all or any of the securities held by it for his account to be sold. Such sale may be made on the New York Stock Exchange or on any other available market or at public auction or by private sale and may be made without notice to the Clearing Member. If the sale is made on the New York Stock Exchange or the Curb or any other exchange or if the sale is at public auction, the Stock Clearing Corporation may purchase for its own account the securities sold.

The proceeds of sale shall be applied by the Stock Clearing Corporation to the payment of the Clearing Member's debit balance and any surplus shall be paid over to the Clearing Member or his representative.

Between the time the Stock Clearing Corporation has become obligated to pay off a loan for the account of a Clearing Member and its receipt of the securities constituting the collateral for the loan, it shall have the same rights in respect to said collateral as though actually in its possession.

The Stock Clearing Corporation may, in its discretion, deliver to the Clearing Member any securities held for his account upon the substitution thereof of other securities satisfactory to it.

Rule 19.—Lien on Securities.

When securities are delivered by the Stock Clearing Corporation to a Clearing Member under the provisions of Rule XIII or Rule XIV, the lien of the Stock Clearing Corporation thereon shall continue until they are delivered by the Clearing Member pursuant to the order of the Stock Clearing Corporation or pursuant to the new loan agreement and if they are not so delivered they shall be returned immediately to the Stock Clearing Corporation and shall be so returned within one hour after they are received from it. The Clearing Member receiving such securities shall hold the same in trust to dispose of as herein provided.

Rule 20.—Payment of Debit Balance on Demand.

A Clearing Member shall pay the Stock Clearing Corporation the whole or any part of his debit balance at any time on its demand. He shall furnish it such assurances as it shall require of his ability to finance his commitments and shall conform to any conditions which it deems necessary for its protection and the protection of other Clearing Members.

Rule 21.—When Stock Clearing Corporation Declines to Act for a Member.

(a) The Stock Clearing Corporation may at any time cease to act for a Clearing Member either with respect to a particular transaction or transactions generally. When it ceases to act for a Clearing Member

with respect to a particular transaction or transactions, it will notify the Clearing Member and such other Clearing Members or lenders of money as it deems proper and will determine what steps are to be taken in the pending clearing in view of its ceasing to act for the Clearing Member therein. When the Stock Clearing Corporation ceases to act for the Clearing Member in transactions generally, it will at once notify such Clearing Member, other Clearing Members and lenders of money named in the list for which provision is made in Article VIII of the By-Laws of the Stock Clearing Corporation. The notice that it has ceased to act for a Clearing Member given by the Stock Clearing Corporation shall state in general terms how pending transactions will be affected.

(b) After the Stock Clearing Corporation ceases to act for a Clearing Member in transactions generally, it will not receive from him nor distribute through its Distributing Department exchange tickets and will not receive from him a night clearing sheet. If the notice is given after the Clearing Member's night clearing sheet has been filed with the Stock Clearing Corporation and before the security balance orders have been given out, the Stock Clearing Corporation may either eliminate from the clearing all transactions entered on the Clearing Member's sheet or may complete the night clearing as though no notice had been given. If it eliminates the Clearing Member's transactions from the clearing, they shall be settled between the Clearing Member and other Clearing Members with whom his original contracts were made and not through the Stock Clearing Corporation. If it completes the night clearing, security balance orders shall be given out by the Night Clearing Branch and lists shall be filed with the Day Clearing Branch as though no notice had been given but other Clearing Members making deliveries on such security balance orders to the Clearing Member for whom it has ceased to act shall not be given credit by it for the value of the securities so delivered and shall obtain payment thereof as provided in Section 1 of Article XXV of the Constitution of the New York Stock Exchange in respect to deliveries made under New York Stock Exchange contracts. The Clearing Member for whom it has ceased to act shall, unless otherwise directed by it, make deliveries under security balance orders as though it had not ceased to act. It may however direct that the Clearing Member obtain payment for the securities delivered from the Clearing Members to whom the deliveries are made. If the notice is given after the security balance orders have been given out, the deliveries under such orders (so far as they have not already been completed) and the payment for securities delivered thereon shall be made as though the notice had been given before the security balance orders were given out. Any orders for the delivery of securities under Rule VII shall be dealt with in the same manner as security balance orders.

(c) After the Stock Clearing Corporation has ceased to act for a Clearing Member either in respect to a particular transaction or transac-

tions generally, it shall nevertheless have the same rights and remedies in respect to any debit balance due from such member or any liability incurred on his behalf as though it had not ceased to act for him.

Rule 22.—Death of Individual Member or Sole Stock Exchange Member.

If an individual Clearing Member or the sole Stock Exchange member of the Clearing Member firm dies, the Stock Clearing Corporation shall not thereafter receive a night clearing sheet covering transactions of the decedent or the decedent's firm.

If an individual Clearing Member or the sole Stock Exchange member of a Clearing Member firm shall die after the Stock Clearing Corporation has received the night clearing sheet and before security balance orders have been given out, the Stock Clearing Corporation may at its election eliminate from the clearing the transactions of the decedent or the decedent's firm. Otherwise, the night clearing shall be completed and the security balance orders given out and the same procedure followed as in the case of an insolvency, which procedure shall also be followed if the death occurs after the security balance orders have been given out, provided however that another Clearing Member may with the consent of the Stock Clearing Corporation receive and deliver securities and make and receive payments for account of the decedent or the decedent's firm.

Rule 23.—Failure to Deliver.

If a Clearing Member shall not make delivery under a security balance order by 2:15 P. M., the Clearing Member to whom the securities are to be delivered may cause them to be bought in "under the rule" as provided in Article XXVIII of the Constitution of the New York Stock Exchange.

If a Clearing Member shall refuse to receive securities deliverable to him under a security balance order and such refusal shall continue up to 2:15 P. M. or if a Clearing Member for whom the Stock Clearing Corporation has ceased to act but to whom securities are deliverable under a security balance order shall fail to receive and pay for such securities and such failure shall continue up to 2:15 P. M., the securities may be sold out "under the rule" as provided in Article XXVIII of the Constitution of the New York Stock Exchange.

If a Clearing Member shall up to 2:15 P. M. fail to deliver or to receive securities deliverable by or deliverable to him under a security balance order, immediate notice of the fact shall be given to the Stock Clearing Corporation, which notice must be delivered to the Stock Clearing Corporation not later than 2:30 P. M., and the contingent charges and credits on account of such securities provided for in Rule V shall be offset by appropriate credits and charges.

If the failure to deliver or to receive securities under a security balance order results from an agreement between the Clearing Member who is to deliver and the Clearing Member who is to receive, they shall be deemed to have entered into a new contract on which they alone shall be liable and under which the securities are to be delivered and paid for directly between them. Such contract shall mature on the next business day unless some other date is agreed upon between the parties and shall have all the incidents of a contract made on the floor of the New York Stock Exchange except that it cannot be entered upon the night clearing sheet but must be carried out by the parties between themselves.

If the delivery of securities under a security balance order is not completed by 2:15 P. M. and such securities are not bought in or sold out as authorized by this rule, the failure to deliver shall be deemed to have resulted from an agreement of the parties.

If the securities are bought in or sold out as authorized by this rule, the loss, if any, shall be paid promptly by the Clearing Member in default directly to the other Clearing Member, party to the transaction; the profit, if any, shall be paid by the other Clearing Member, party to the transaction, to the Clearing Member in default unless such Clearing Member is insolvent, in which case, any profit shall be dealt with as provided in Rule XXIV.

Rule 24.—Insolvency.

A Clearing Member who fails to comply with his contracts or is insolvent shall immediately notify the Stock Clearing Corporation in writing that he is unable to meet his engagements. If a Clearing Member who has exchanged exchange tickets fails to deliver his night clearing sheet or the check or draft that should accompany the same to the Night Clearing Branch before 10 A. M. on the clearing day, he may be dealt with by the Stock Clearing Corporation as insolvent and the Stock Clearing Corporation may deal with any Clearing Member as insolvent who fails to keep his engagements.

Upon the insolvency of a Clearing Member, the Stock Clearing Corporation shall at once cease to act for him. New loan agreements of the Clearing Member filed with the Stock Clearing Corporation which have not already been carried out shall become inoperative. Return loan agreements of the Clearing Member filed with the Stock Clearing Corporation which have become operative at the time of the insolvency shall be carried out. Return loan agreements of the Clearing Member filed with the Stock Clearing Corporation which have not already become operative shall be inoperative.

Upon the insolvency of a Clearing Member, all securities deliverable to or deliverable by such Clearing Member under security balance orders

shall be sold out or bought in on the floor of the New York Stock Exchange in the manner provided in Article XXVIII of the Constitution of the New York Stock Exchange.

If a profit results from the selling out or the buying in of securities deliverable to or deliverable by the insolvent Clearing Member under a security balance order, the Clearing Member realizing such profit shall at once send a statement of the transaction to the Stock Clearing Corporation and shall pay over the profit to it.

If a loss results from the selling out or the buying in of securities deliverable to or deliverable by the insolvent Clearing Member, the Clearing Member sustaining such loss shall at once send a statement of the transaction to the Stock Clearing Corporation which shall pay him the amount of the loss after the collection by it of the pro rata assessments against the original contracting parties for which provision is hereinafter made.

The Clearing Members with whom the insolvent had the transactions shown on his night clearing sheet which would have shown a loss if they had been closed out "under the rule" at the price at which the security balances were closed out shall each pay to the Stock Clearing Corporation the amount of such loss as soon as notice fixing such amount is received from the Stock Clearing Corporation. In the case of transactions in any security where there is no resulting security balance, the nearest even price to the last quotation at the time when it would have been closed out "under the rule" is to be taken as the settlement price. The amounts so paid to the Stock Clearing Corporation shall be credited to a special account, to which shall also be credited the profits resulting from the closing out of security balances deliverable to or deliverable by the insolvent Clearing Member. The amounts to the credit of said special account shall be applied in the following order: first, to reimburse the Stock Clearing Corporation for differences paid out for account of the insolvent Clearing Member in connection with the night clearing for which it has not been reimbursed by a good check from him; second, to reimburse Clearing Members for losses sustained by them in closing out security balances deliverable to or deliverable by the insolvent on security balance orders of the Stock Clearing Corporation; third, to reimburse the Stock Clearing Corporation for any loss sustained by it by reason of the insolvency for which it will not otherwise be reimbursed by the remedies provided by these Rules or by the By-Laws; fourth, to reimburse pro rata the other Clearing Members for amounts paid by them as herein provided to the Stock Clearing Corporation on account of losses which would have been sustained in closing out transactions between them and the insolvent Clearing Member had such transactions in fact, been closed out; fifth, if any amount shall remain, the same shall be paid over to the insolvent Clearing Member or his representative.

Rule 25.—Suspension of Rules or Extension of Time to Act in Respect to Rules.

The time fixed by these Rules for doing any act or acts may be extended or the doing of any act or acts required by these Rules may be waived or any provisions of these Rules may be suspended by the Board of Directors or Executive Committee of the Stock Clearing Corporation whenever, in the judgment of such Board of Directors or Executive Committee, there is an emergency requiring such extension, waiver or suspension, except that there shall be no such extension, waiver or suspension affecting the rights of a lender of money by reason of a new loan agreement or return loan agreement without his consent.

Rule 26.—Charges for Services Rendered.

For the services rendered to Clearing Members as herein provided, such Clearing Members shall pay compensation to the Stock Clearing Corporation, as follows:

(1) A charge will be made of five cents for every 100 shares of stock delivered and every 100 shares of stock received, plus five cents for every 100 shares of the balances to be received and delivered as shown on the night clearing sheet.

(2) A charge will be made of three cents for every separate entry on the night clearing sheet of a transaction in United States Government bonds delivered or received, plus three cents for every entry of a balance in such bonds to be delivered or received.

(3) A charge will be made of two cents for every \$1,000 which the Clearing Member directs the Day Clearing Branch of the Stock Clearing Corporation to charge to him for securities to be received by him and two cents for every \$1,000 which the Clearing Member directs the Day Clearing Branch of the Stock Clearing Corporation to credit to him for securities to be delivered by him on security balance orders.

(4) A charge will be made of one cent for every \$1,000 of loans paid off or new loans made for the Clearing Member under agreements filed with the Stock Clearing Corporation.

Rule 27.—Fines.

Clearing Members shall pay to the Stock Clearing Corporation fines for errors and delays and other conduct embarrassing the operations of the Stock Clearing Corporation, as follows:

(1) FIVE DOLLARS for each error affecting the night clearing balance either in cash or stocks.

(2) FIVE DOLLARS by each party when exchange tickets sent to the Night Clearing Branch do not agree.

(3) TEN DOLLARS for not promptly correcting an error after notification by the Stock Clearing Corporation.

(4) FIVE DOLLARS for not calling at the Distributing Department of the Night Clearing Branch for exchange tickets after 4 P. M. and before 4:20 P. M. on any business day except Saturdays or for not calling for such tickets after 1 P. M. and before 1:20 P. M. on Saturdays.

(5) FIVE DOLLARS for not delivering sale tickets with stamps attached to the Distributing Department of the Night Clearing Branch before 11 A. M.

(6) FIVE DOLLARS for not calling at the Distributing Department of the Night Clearing Branch for sale tickets with stamps attached at 11 A. M. and before 11:30 A. M.

(7) TEN DOLLARS for not paying a bill for charges and fines within the time prescribed by Rule XXVII hereof.

(8) TEN DOLLARS for not delivering the night clearing sheet, exchange tickets, security balance tickets or check or draft that should accompany the same within the time prescribed by these Rules; or such an amount not exceeding \$250, as the Stock Clearing Corporation shall determine, if in its opinion the delivery of a night clearing sheet has been unreasonably delayed.

(9) Such amount not exceeding \$250, as the Stock Clearing Corporation shall determine for not providing adequate facilities for Stock Clearing Corporation transactions or for any violation of these Rules not specifically provided for.

(10) The determination by the President or Vice-President that a fine is due and fixing the amount thereof shall be conclusive unless the Clearing Member on whom it is imposed shall within two days request that the matter be passed upon by the Executive Committee, which if requested shall give the Clearing Member a hearing and shall render a final decision. The Executive Committee may of its own volition reduce or remit any fine imposed by the President or Vice-President.

Rule 28.—Bills rendered.

The Stock Clearing Corporation will render bills for charges and fines payable by Clearing Members on account of the business of any month on or before the tenth day of the succeeding month; such bills shall be paid not later than the twentieth day of such succeeding month.

M5H 21802

**END OF
TITLE**